
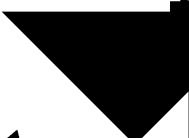

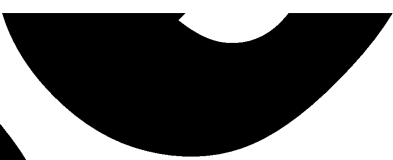


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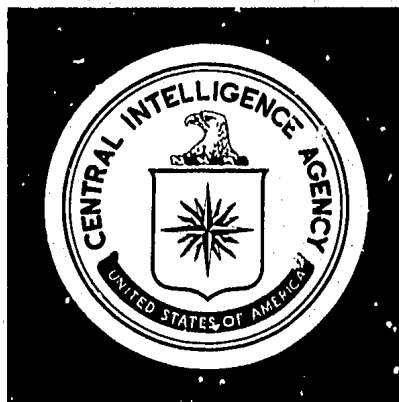


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DIRECTORATE OF
INTELLIGENCE

Intelligence Memorandum

Soviet Experience With Interest Rates

Secret

ER IM 72-110
July 1972

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CENTRAL INTELLIGENCE AGENCY
Directorate of Intelligence
July 1972

INTELLIGENCE MEMORANDUM

SOVIET EXPERIENCE WITH INTEREST RATES

Summary

1. Communist theory originally refused to accept as a valid concept the idea of interest as a return on capital, although Communist practice has usually permitted a nominal interest charge to cover administrative costs. In more recent times, the Communists have made increasing, although still limited, use of interest, both as a means of charging for capital and as an aid in choosing among alternative investments. Interest rates on loans between Communist countries have increased.

2. Soviet lending and borrowing in the West have always involved interest payments. The USSR has persistently bargained over interest rates and has refused to accept the idea of a going rate in the capital market. The Communists have become noted for their hard bargaining over all the terms of credits they have sought from the West, often dragging negotiations out for months or years until they realize most of their objectives. They have bargained hardest, and usually successfully, over interest rates. They are willing at times to sacrifice on the prices of goods to be traded but generally obtain interest rates on the most favorable terms available, often involving some sort of government subsidy.

3. In other financial activities in the West, the USSR has generally operated in much the same manner as the Western capitalist countries. The Soviet banking activities in the West are conducted in the same manner as any large, international Western bank. Only in their foreign trade activities on behalf of the East European Communist countries do these banks charge less than the market rate, although they do charge interest and at a rate that will cover their costs. Soviet and Communist aid activities among the less developed countries (LDCs) are conducted at very low interest rates — most long-term credits are 2% to 2.5% and some medium-term credits are 3% to 3.5%. These so-called beneficial credit terms, however, are often less concessionary than the aid terms given the LDCs by the West.

Note: This memorandum was prepared by the Office of Economic Research.

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Introduction

4. Expanding US-Soviet trade relations have focused attention on how the Soviets conduct trade negotiations with the West. The present negotiations for grain contracts and the discussions on contracts for the Soviet Kama River Truck Plant and for a liquefied natural gas (LNG) deal have pointed up the difficulties that can be encountered in these negotiations. Perhaps the area in which the Soviets have been the most difficult is in negotiating interest rates. This paper examines the overall Soviet experience in dealing with interest rates. It gives a brief description of how they have treated interest rates internally and in intra-Communist dealings, a lengthier discussion of their negotiations on interest in trade with the West, and a brief examination of their banking operations in the West and their interest policy on loans to the developing countries in the Free World.

Discussion

Use of Interest in the Internal Soviet Economy

5. In the Marxian view, interest as a return on capital is ideologically unacceptable. Because labor is the only factor of production that creates value, it is the only factor entitled to remuneration. However, Soviet leaders since the revolution have found it convenient to compromise on the use of interest rates. This has not been viewed as inconsistent with economic ideology because Marx had little to say on the actual conduct of a socialist economy. Even during the Stalin era (1928-52), the regime paid interest, first on government-decreed bond issues, and later on private savings deposits. In addition, it charged nominal rates of interest - 2% or 3% - on short-term credits to most socialized enterprises and on long-term credits to collective farms and private individuals.

6. Since the mid-1960s, several reform measures adopted by the government have broadened the role of interest rates in the domestic economy both as a control mechanism and as a means to increase enterprise efficiency. In recent years there has been a standard 6% interest charge on all plant and equipment and working capital held by an enterprise.⁽¹⁾ These charges, paid directly into the state budget, are levied on gross profits of a firm and are not counted as part of cost. In addition to the annual levy on fixed and working capital assets, bank credits for new investments carry a nominal charge of about 1%. As a result, interest charges are

1. Rather than use the capitalist term "interest rate," the Soviets refer to a charge on "productive fixed capital and normed working capital."

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unimportant as a rationing device for investment funds. In any case, long-term bank credit comprises only a minor part - less than 5% of total capital investment.⁽²⁾

7. Although there is little concrete information on the process of planning capital investments, the evidence strongly suggests that major planning decisions are made without recourse to capital charge calculations. Such crucial questions as the share of gross national product (GNP) devoted to investment and the distribution of investments among the major branches of the economy (for example, agriculture versus industry) are resolved at the highest levels of government without a systematic use of calculations of returns to capital. The major investment decisions are based on a wide range of political and economic criteria. But there is some evidence in recent years that once the overall allocations are decided upon, imputed charges for capital enter more prominently into calculations to aid in deciding among alternative investments within a given sector of the economy (for example, thermal versus hydroelectric powerplants). For this purpose, an interest rate on capital investment of 12% is now officially used.

Interest Rates in Intra-Communist Credit Activities

8. In transactions among the Communist countries, interest is charged for credits and loans, but at rates generally far below those prevailing in Western markets. Until recently these rates usually ran about 2% per year with repayment in kind, although there have been exceptions. In the immediate postwar period and in the 1950s, the USSR extended several credits to East European countries with interest rates as high as 3%. Perhaps the highest rate charged to another Communist country was the 5% interest rate on a wheat loan to Romania in 1945, repayable in kind over a two-year period. The following sample cases, however, are more typical:

a. In 1950 the USSR extended to China a credit of \$300 million to pay for deliveries of Soviet equipment and materials. Repayment was to be made by deliveries of Chinese goods during 1954-63, with an interest rate of 1% per year.

b. In 1958 the USSR extended to East Germany a credit of \$27.5 million to pay for Soviet materials to develop the East German chemical industry. The credit carried an interest rate of 2% per year and was repayable by deliveries of East German chemical products over a five-year period beginning in 1961.

2. The principal sources of investment funds are interest-free grants from the state budget (about one-half), retained profits of enterprises (one-fourth), and amortization charges (one-fourth).

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c. In 1960 the USSR extended to Cuba a credit of \$100 million for various development projects. [redacted]

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d. In 1964 the USSR extended to Bulgaria a credit of \$183 million for 11 industrial installations. The credit was to be drawn down from 1966-70 [redacted]

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9. More recently, the USSR and other Communist countries have become more realistic about interest rates. Investment loans extended by the new CEMA International Investment Bank, for example, will carry interest rates of 4%-6% for ruble credits, and higher rates where hard currency is involved. In December 1971, the USSR extended a credit of \$140 million to Yugoslavia to pay for deliveries of Soviet equipment and materials for the construction of an aluminum industry complex. [redacted]

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Credit Terms in Soviet Purchases from the West

10. The USSR began using Western medium- and long-term credits in the 1960s after whetting the appetite of Western nations for the Soviet market for capital equipment sales with large cash purchases starting in the late 1950s. Once embarked on a large-scale push for industrial equipment, the USSR took full advantage of the increasingly available Western credits, accepting the need for paying interest but striving always to negotiate as inexpensive financing as possible. Soviet negotiators are well aware of the effect credit terms have on the total cost of a purchase, and they consider any part of the terms of financing – particularly the interest rate – subject to negotiation. These negotiations were extremely protracted when repayment involved large amounts of hard currency, and the USSR played one Western source against another to secure the best possible terms. In instances where the equipment and/or technology are highly desired, however, the USSR waived its normal practices and paid whatever was necessary to secure the item.

11. In the 1960s, the lure of Soviet orders led to a credit race among European nations, particularly France, Italy, and the United Kingdom. Their competition for Soviet business led to the abandonment of the Berne Union guidelines, which placed five-year limits on credits to Communist countries, and brought a series of agreements providing interest rates below the market rate, usually subsidized by the Western government. In some cases, credits for individual projects were extended as part of a long-term, low-interest

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line of credit from national trade groups or associations or from the government itself. These lines of credit permitted the USSR to bargain more effectively with potential suppliers and sometimes resulted in the Western government subsidizing contracts to an unusually large extent (see Appendix A).

12. Western nations have varied in their methods of subsidizing credits to the Communist countries. The governments of Italy and France accomplish this by direct subsidization of the interest rate and by rediscounting at low rates the commercial loans advanced by the private sector. The United Kingdom only indirectly subsidizes interest rates by allowing the guaranteed export paper to be discounted at the Bank of England, thereby increasing the liquidity of the commercial banks and allowing them to finance exports at rates below the commercial market. The West German government plays no role in financing credits, but it does control the ability of the commercial banks to rediscount their loans on the commercial market because rediscounting at a favorable rate requires a government guarantee on the credit. Japan does not subsidize export credits through rediscounting of commercial bank financing, but, like the US, uses low-interest Export-Import Bank financing for a portion of export credits.

13. The French have provided lines-of-credit for all capital purchases in the long-term trade agreement with the USSR. Italy, Japan, and the United Kingdom have provided such credits for individual projects and for particular types of purchases (machine tools in the United Kingdom). This arrangement is used in the West otherwise only for credits to the less developed countries.

14. An example of Soviet use of line-of-credit financing is the contract with Italy for the Fiat plant at Togliattigrad in the USSR. As part of the 1966 agreement, the Italian government advanced the USSR an 11-year, \$320 million line-of-credit. The credits were handled by the quasi-governmental bank, Institute Mobiliare Italiano (IMI); and the interest rate charged by IMI - 5.6% - reflected a government subsidy of some 2.5%-3% in comparison with the going market rate.⁽³⁾ The USSR subsequently requested that the basic credit line be extended to cover also Soviet purchase of a \$50 million rubber plant from Italy, and suggested that other purchases would follow if a general line-of-credit were made available. Although the Italians demurred on this issue, the government did extend a nine-year, \$50 million line-of-credit (at 5.9%) to cover the purchase of the rubber plant. The USSR also was able to secure Italian credits - at somewhat below market rate - to underwrite Soviet purchases of US

3. As reported by the Italians, presumably in comparison with long-term private loans on the commercial market.

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equipment for the Fiat plant, even though the Italians initially had requested the USSR to use cash for such third country purchases. Italy has recently advanced a \$192 million credit line to cover possible Soviet purchases for the Kama truck plant. The eight-year credit carries an interest rate between 6% and 6.5%.

15. In another example of this type, the French government in 1970 extended an \$810 million line-of-credit to the USSR in anticipation of a significant rise in Soviet-French economic cooperation. This line-of-credit was to finance the major portion of all Soviet machinery and equipment purchases in France during 1970-74 - in particular, equipment for the Kama River truck plant and the Soviet-French gas-for-pipe project. Terms offered under the credit line vary with respect to the size of the individual purchases, with the largest contracts calling for 8-1/2 year credits at 5.95%. The Soviets were able to secure even better terms for that portion covering Renault's participation in the Kama development, with the length of repayment extended to seven years following completion of all construction at the site.

16. The United Kingdom has provided inexpensive credits to encourage Soviet imports of British goods, although on a smaller scale than Italy or France. In 1968, for example, a consortium of British banks extended a special \$56 million long-term credit to finance Soviet machinery and equipment purchases for the Fiat plant. The loan probably carried a 5.5% interest rate, with the length of the credit varying from eight to 12 years (depending upon the size of the contract). More recently, the Bank of England allowed private British banks to use a certain percentage of their statutory reserve funds for such credits, making it possible for additional credit to be extended to the USSR at less than market rates. When the government rate stood at 7% in 1971, the Soviets put British exporters on notice that the high rate made British products too expensive. Since then, the United Kingdom has successively lowered the interest rate to 6.5% and then to 6%, hoping to secure some of the Soviet orders for the Kama plant.

17. The USSR has been able to extract increasingly attractive financing from Japan, whose recent credits - up to ten years at 5.5%-6% -- have been extremely competitive. The attractiveness of such low rates is somewhat reduced, however, by Japanese requirements for substantial downpayments - often up to 20% of the purchase price. Unlike its West European counterparts, Japan has refused to grant special status to the USSR, and Japanese law prohibits the granting of the bank-to-bank credit lines desired by the USSR (and extended by the United Kingdom, France, West Germany, and Italy). During the last several years the USSR has continually raised the question of such financing with Japan/

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[redacted] The use of Japanese Eximbank credits in combination with private financing, however, has enabled Japanese exporters to offer the USSR attractive terms, particularly during the last few years when the availability of Eximbank funds appears to have increased.

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18. Most Soviet credit purchases from the West, aside from the major deals discussed above, have involved on the average interest rates of 5% to 5-1/2% on five-year credits through the mid-1960s, increasing to 6% interest on eight-year credits since the late 1960s. Probably the most consistent part of the present Soviet negotiating behavior is hard bargaining over all aspects of credit terms. This attitude is bound to be a major element in negotiations likely to occur in the 1970s for a number of Soviet long-range cooperative developmental projects.

Financing of Cooperative Agreements: Completed Agreements

19. Since 1968 the USSR has entered into several cooperative agreements with the developed West, and is currently negotiating with the United States, West Germany, Japan, and France on additional agreements. Such agreements are characterized by initial Western financing of Soviet imports -- with more than \$810 million advanced since 1968 -- underwriting at least partly Soviet investment in raw material exploitation. The agreements in turn call for Soviet repayment by exports of the materials exploited (for example, natural gas and wood products). Since the Soviets claim that most of the projects financed by such arrangements are in addition to the USSR's planned investment program, their willingness to enter into these barter-type agreements depends largely on the portion of the total investment cost which can be deferred and eventually repaid through exports of the developed resources. The principal Soviet objective has been to avoid any repayment in hard currency. Thus the credit terms that the USSR can obtain from the West are critical. The extent of bargaining sometimes required can be seen in the length of the negotiating periods in the Italian and West German pipe-for-gas agreements.

20. The first cooperative agreement with the West was signed by the USSR and Austria in June 1968. The agreement provided for \$110 million in Austrian credits to underwrite Soviet purchases of large diameter pipe (see Appendix B). The credits were advanced by the Austrian Kontrollbank and called for Soviet repayment over a seven-year period with an annual interest rate of 6%. Actual financing was provided by a consortium of Austrian and West German banks. The USSR was able to accept the relatively short repayment period because existing Soviet pipelines permitted gas deliveries to begin almost immediately, and the USSR was able to meet the hard currency repayment costs from the gas sales to Austria.

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21. The Soviet agreements with West Germany and Italy, however, required far more generous credit arrangements if the USSR was again to cover the repayment costs for pipe and related equipment purchased in the West by concomitant sales of natural gas. Additional pipelines from Western Siberia were necessary for the USSR to fulfill commitments to West Germany and Italy, and deliveries could not begin until 1973. The longer repayment period required raised the effective cost of the interest the USSR would have to pay and financing became a crucial point in Soviet negotiations with both West Germany and Italy.

22. Negotiations between the USSR and Italy concerning a natural gas-for-pipe deal began before the Fiat agreement of 1966. After the Fiat agreement was signed, however, the Soviets insisted on similar credit arrangements - 5.6% for ten or more years - for the Soviet purchases of Italian pipe and pipeline equipment. The Italians refused because they did not wish to become overextended in advancing credits to the USSR and they did not feel that the natural gas proposal warranted so substantial a government subsidy of the interest rate.⁽⁴⁾ During the 1967 negotiations, however, the USSR reduced its asking price for natural gas substantially, and Italian resistance on credit terms collapsed completely late in 1968

The final Italian agreement provided an initial credit extension of \$196 million by the IMI. Although the exact terms were not disclosed, the USSR received long-term (eight-to-ten-year) credits at an annual interest rate somewhat above the 5.6% they received for the Fiat agreement. Soviet orders for Italian pipe and related equipment for the pipeline have totaled \$250 million to \$300 million, and the Italians presumably have extended similar credit lines to cover those orders not included under the original \$196 million credit.

23. Financial discussions for the Soviet - West German gas-for-pipe agreement centered on the initial Soviet request in early 1969 for a 12-year, \$300 million (1.2 billion Deutsche Mark) credit at 6.5% interest. As in the Italian case, the USSR wanted a credit/gas delivery combination which would allow them to meet the repayment schedule without resorting to hard currency outlays. The subsequent revaluation of the mark in October 1969, however, effectively increased the cost of the pipe by more than 9%, making Soviet retirement of the principal and interest within 12 years impossible at the 6.5% rate. The Soviets accordingly revised their request, proposing that the principal and interest be handled separately. Final credit arrangements closely followed a subsequent Soviet proposal for a ten-year credit of \$328 million advanced by a consortium of 13 West German banks

4. A 5.6% interest rate would have involved an Italian subsidy of almost 3%, the same as for the Fiat agreement.

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at a 6.25% annual interest. While the Soviets apparently are paying the interest charges in cash as they become due, payment of principal seems to have been deferred until natural gas deliveries begin and will then be paid over a ten-year period. Although the Soviets secured credit terms that minimized hard currency costs, they apparently are paying a hidden interest cost. The West German government, unlike the Italian, was unwilling to subsidize the credits to the USSR, and it now appears that the West German pipe firms, who, in effect had to subsidize the bank credits, may have padded their prices to recover their costs.

24. The USSR also signed two cooperative agreements with Japan in 1968 and 1971, each calling for Soviet imports of Japanese machinery and equipment to be repaid by Soviet exports of wood and wood products. The first agreement, signed in July 1968, consisted of \$163 million worth of Japanese products to be repaid by Soviet deliveries of \$183 million worth of timber over a five-year period (1969-73). The Japanese provided a five-year credit of \$133 million at 5.8% to cover Soviet purchases of machinery and equipment. Although the Japanese would not advance credits for \$30 million in consumer goods -- part of the overall agreement -- they allowed the USSR 360 days to repay the first \$15 million worth of consumer goods and 180 days to repay the remainder. The \$133 million credit was financed both by the Japanese Eximbank and by commercial banks. The Japanese firms involved in the transaction, however, were themselves forced to make up the difference between the 5.8% rate acceptable to the USSR and the then minimum rate (6%) established by the Japanese government. As in the case of the West German agreement, the USSR may have paid for this subsidy through increased prices charged by the Japanese for the products purchased by the USSR under the agreement.

25. The second Soviet-Japanese cooperative venture was signed late in 1971 and called for joint development of a wood chip processing plant. The Japanese advanced a seven-year credit for \$45 million at 6% interest to cover Soviet purchases of machinery and equipment. Soviet repayment is to be made in deliveries of wood chips and pulpwood over a ten-year period (1972-81). The total value of the deliveries is estimated at \$80 million to \$100 million, and the USSR is to repay the Japanese loan during the first seven years of deliveries. The \$45 million presumably was financed through a combination of Eximbank and private sources.

Cooperative Agreements Being Negotiated

26. The USSR currently is negotiating a number of cooperative agreements (see Appendix B). The same West German financial and manufacturing groups who negotiated the 1970 gas-for-pipe deal have been negotiating another gas-for-pipe agreement for almost a year. The West

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German government, however, must approve all applications for government risk guarantees, and it is unwilling to agree to the same liberal credit arrangements this time. West Germany has ruled that the credit cannot exceed eight years and that it must be repaid in equal, not progressively increasing, installments.

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27. Several US firms currently are negotiating with the USSR for the construction of liquefied natural gas (LNG) plants and LNG ships during the middle and late 1970s. The long-term credits needed to underwrite this proposal are expected to total \$4 billion to \$5 billion. The USSR has stated that it considers the proposed cooperative agreement to be external to the current Soviet five-year plan and it will, therefore, be unable to allocate any domestic investment funds to the project.

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28. This Soviet position implies an inflexibility in the plan for which there is little basis. The USSR has changed plans before to accommodate unexpected developments

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29. The Soviets can be expected to balk at paying the 7% to 8% interest rates currently prevailing in the US. The Soviets also have proposed a price for the gas far higher than that available from alternative sources; as with Italy, they probably hope to bargain on price to secure the credit terms they seek. In addition to their demands for low interest credits, the Soviet probably will demand that loan repayments be deferred until Soviet LNG deliveries to the US begin.⁽⁵⁾

30. The USSR also is seeking \$1 billion in long-term credits from Japan to aid in the construction of an oil pipeline across Eastern Siberia.

5. If the USSR began repayment on US credits as they were drawn, upwards of \$1 billion in Soviet hard currency outlays would be required before the USSR would begin to cover its debt costs by deliveries of natural gas to the United States.

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Negotiations for this deal have been conducted off and on for a number of years. As in other cooperative agreements, the USSR has explicitly stated that the entire repayment of the Japanese loan should come from Soviet exports of crude oil transported through the pipeline.

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Even if agreement is reached on the size, duration, and interest of the credit, the USSR will probably ask for payment to be deferred until oil deliveries begin, as in the case of the Austrian and West German agreements.

Interest Charged and Paid by Soviet Banks in the West

31. Soviet-owned banks in the West⁽⁶⁾ have played an important role in the development of East-West trade, an activity which has been stated as the primary function of these banks. All four of the banks located in Western Europe provide their services to other Communist countries, including Yugoslavia, as well as to some of the LDCs. These services are the same as those generally provided by Western banks specializing in international payments and include making and collecting payments, direct financing, rediscounting, and processing trade documents.

32. The trade financing offered by the Soviet-owned banks is similar to that offered by any large Western bank handling international payments. Because of their limited resources, however, the Soviet-owned banks generally restrict themselves to short-term financing – primarily for periods of six months or less – although some longer term financing is offered, especially for trade in capital goods.

33. These Soviet-owned banks are active participants in both foreign exchange and Eurocurrency markets. When the Communist countries began to hold dollar balances in their European banks, these banks in turn loaned the dollars at profitable rates of interest in what became the Eurodollar market, charging their customers – East or West – the going rate. The position of these banks in Eurocurrency markets gives the USSR and the East European countries additional flexibility in financial relations with the West. By building their credit standing, these banks have been able, when necessary, to become net borrowers in Eurocurrency markets, thus augmenting the trade credit otherwise obtainable in the West and cushioning the disruptive effects of large emergency withdrawals by Communist or Western correspondents. Their excellent reputation also enables them to

6. Moscow Narodny Bank in London with branches in Beirut and Singapore; Banque Commerciale pour l'Europe de Nord in Paris; Wozchod Handelsbank in Zurich; and Ost-West Handelsbank in Frankfurt.

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attract Eurocurrency deposits at prime rates -- important for profitable operation -- and has helped establish the credit-worthiness of the Communist countries and institutions associated with them.

34. Recently the Communist countries have been able to secure untied Western credits. Last year, Hungary was able to float a \$25 million Eurobond issue, the first by a Communist country since World War II. This transaction has since been followed by at least four Western consortia loans -- one of which was organized by Moscow Narodny Bank -- to CEMA's International Bank for Economic Cooperation (IBEC). These loans so far total \$140 million and carry very favorable terms: the interest rate will be three-fourths of 1% over the floating six-month interbank rate, which presently is just over 6%, and the term of the loan is five years.

Interest on Communist Aid to Less Developed Countries

35. Soviet and other Communist aid to the LDCs has been at what the Communist countries extol as highly favorable terms. More than two-thirds of Soviet economic aid has been provided under terms requiring repayment over a 12-year period (usually after a specified grace period) at an interest rate of 2.5%. The remainder is divided almost equally between medium-term credits that require interest of 3% to 3.5% and longer term credits with somewhat lower interest rates. Military aid agreements normally allow discounts from list prices, equivalent to a 40% grant, and are repayable over a seven-to-ten-year period at 2% interest. Repayments are normally made in the form of the products of the LDC and more rarely in hard currency.

36. These credit terms seem to fit the Communist claim of being lenient and seem intended to aid the backward nations in their struggle for economic viability. The Communist country on occasion has made fully concessionary terms when it is politically and/or economically advantageous. The average Communist aid terms, however, are not as beneficial as those given by the West. Recent Western aid terms have been averaging slightly longer than 29 years, after a grace period of 7.5 years, and 2.7% interest.

APPENDIX A

Financial Terms for Some Recent Soviet Purchases

<u>Country</u>	<u>Year</u>	<u>Principal (Million US \$)</u>	<u>Interest: (Percent)</u>	<u>Down- Payment (Percent)</u>	<u>Length of Credit (Years)</u>	<u>Description</u>
Italy	1966	320	5.6	N.A.	11	Government line-of-credit extended to finance Soviet purchases for Fiat plant at Togliattigrad.
Italy	1968	50	5.9	N.A.	9	Line-of-credit extended to cover Soviet purchase of Italian rubber factory.
United Kingdom	1968	56	5.5	N.A.	8-12	General credit line extended by British merchant banks under government guarantee.
Japan	1970	25	5.5	10	8	Supplier credit to cover Soviet purchase of chemical plant.
Japan	1970	80	6	12	7	Credit extended to cover Soviet imports of Japanese technology and equipment for the development of Vrangal Bay Port.

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APPENDIX B

Soviet-Western Cooperative Agreements

Venture	Country	Year	Principal (Million US \$)	Interest (Percent)	Repayment Schedule (Years)	Description
<u>Signed agreements</u>						
Pipe-natural gas	Austria	1968	110	6	7	Financed through consortium of Austrian and West German banks with actual credits advanced by Austria's Kontrollbank. Repayment tied to separate contract for Soviet delivery of natural gas, 1968-90.
Siberian timber development	Japan	1968	133	5.8	5	Financed through supplier's credit guaranteed by government and supplied by a combination of funds from Eximbank and private banks. Repayment to be from a separate contract for Soviet deliveries of wood products, 1969-73.
Pipe-natural gas	Italy	1969	196	Somewhat above 5.6	Possibly 8-10	Financed by Italian Government through Istituto Mobiliare Italiano (IMI). Repayment tied to separate contract for Soviet delivery of natural gas, 1973-92.
Pipe-natural gas	West Germany	1970	328	6.25	10 a/	Financed by consortium of 13 West German private banks with 50% of financing guaranteed by West German Government. Repayment tied to separate contract for Soviet delivery of natural gas, 1973-92.
Siberian timber development	Japan	1971	45	6	7	Soviets again received combination of Eximbank and private funds. Repayment tied to a separate contract for Soviet deliveries of wood chips and pulpwood, 1972-81.

a. After final delivery.

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